Maple Leaf Mills Limited
Annual Report 1976

Index

Cover illustration

Everyone who bakes must feel some pride of accomplishment after successfully creating a golden loaf or a light, delicious cake. The 19th century motif of our cover focuses upon a traditional bakery setting to portray the pride with which Maple Leaf develops high quality mixes for both the retail market and the baking trade.

Maple Leaf's new "1867" line of cake and cookie mixes.

Maple Leaf Mills Limited
Annual Report to Shareholders
for the year ended December 31, 1976

MAPLE LEAF MILLS LIMITED

Information concerning Maple Leaf, included in the 10-K filed by Norin Corp. with the Securities and Exchange Commission, Washington, D.C., is available upon request by returning this card with your name and address:

To:

The Secretary
Maple Leaf Mills Limited
P.O. Box 370 Station "A"
Toronto, Ontario
M5W 1C7

Name ....
Address ....
....
....

D. D. Brown	Corporate Controller
P. Kriwoy	Assistant Secretary
R. E. Lennox	Secretary-Treasurer
B. L. Love	Assistant Corporate Controller

ASSOCIATED BAKERIES

President and Chief Executive Officers

N. T. Currie	Corporate Foods Limited
D. Devine	McGavin ToastMaster Limited
D. G. Hickingbottom	Eastern Bakeries Limited

HEAD OFFICE

417 Queen's Quay West
Toronto, Ontario M5V 1A2

TRANSFER AGENT AND REGISTRAR

Crown Trust Company
Toronto and Montreal

Index

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Maple Leaf's new "1867" line of cake and cookie mixes.

Maple Leaf Mills Limited
Annual Report to Shareholders
for the year ended December 31, 1976

DIRECTORS

R. G. Dale
J. H. Flom
J. A. Geller
J. D. Leitch
F. H. Logan
G. M. MacLachlan
J. A. McCleery
B. A. Norris
L. J. Risi, Jr.
J. H. Taylor
M. D. Weiner, Chairman of the Board

OFFICERS

President and Chief Executive Officer
R. G. Dale

Senior Vice-Presidents

H. W. Blakely	Planning & Corporate Services
W. E. Paterson	International Operations
P. W. Strickland	Corporate Development
J. A. Telfer	Domestic Operations
J. J. Wigle	Finance

Vice-Presidents

A. H. James	Flour
J. W. MacDonald	Grocery Products
G. S. MacDonell	Agriculture
S. A. Miller	Labour Relations
W. G. Milliken	Vegetable Oil
C. L. Turner	Grain

Financial

D. D. Brown	Corporate Controller
P. Kriwoy	Assistant Secretary
R. E. Lennox	Secretary-Treasurer
B. L. Love	Assistant Corporate Controller

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Toronto, Ontario M5V 1A2

TRANSFER AGENT AND REGISTRAR

Crown Trust Company
Toronto and Montreal

President's Letter

To the Shareholders

The Company's sales and earnings again reached record levels in the year ended December 31, 1976. Net earnings advanced to $6.87 per share, an increase of 6.5% over last year, with sales and revenues increasing by 2% to $530,876,000 for the year.

The Company continued the implementation of its plans to improve the quality of its earnings and increase productivity, particularly in the Agricultural Division. The upgrading of facilities in all areas of operations is continuing to receive top priority in our strategic planning.

The purchase of the Calgary flour mill from Pillsbury Canada Limited was completed during the year and the mill with its strategic location has already made a significant contribution to the earnings of the Flour Division. The modernization of the plant including new bulk flour facilities will be completed within two years.

In the Grocery Products Division the successful introduction of new products has helped increase sales and earnings. The improvement of production facilities in the Toronto area is presently being studied with a view to increasing productivity in this highly competitive segment of the food business.

Our Associated Bakery companies maintained their leadership in the industry with improved sales and earnings in spite of continuing unfavourable market conditions in British Columbia.

The construction of the new vegetable oil mill and refinery at Windsor, Ontario in partnership with Lever Brothers Limited is proceeding on schedule and should be in operation late in 1978.

The Company's International Division had an excellent year and continues to expand. The new flour mill in St. Vincent will be in production this summer, while the mill in Barbados will be completed by the middle of 1978. A further expansion of the flour mill in Haiti is under review and the establishment of feed plants in three Caribbean countries is being studied.

The Company is subject to the regulations and controls of the Anti-Inflation Act and the program appears likely to remain in effect during 1977 with permitted margins coming under greater restraint. It is to be hoped that some way will be found to phase out controls in the very near future without reverting to the excessive rates of inflation that we had previously suffered. It is essential also that an attempt be made on a national basis to improve productivity in Canadian manufacturing as the deterioration of our competitive position in world markets becomes increasingly serious.

The prospects for the year ahead are clouded by the uncertainties of Canada's economy and particularly lower net farm income. The crop outlook at the present time in the United States and Canada is not favourable as lack of moisture persists and above average growing conditions will be needed in the Spring season if crops are to approach the level of excellence which was achieved in 1976. However, on a global basis the outlook for protein grains is more favourable as conditions in Russia and Western Europe appear to be above average.

We are confident that there will be many opportunities for the Company to continue to grow in Canada and overseas within our general areas of expertise and our Management at every level is committed to the attainment of our objectives in this regard.

I would like to express appreciation to our employees who have again played such an important part in the successes of the past year. I am confident that our people will be equal to the challenges of the future and that the Company will continue to prosper.

On behalf of the Board of Directors

R. G. Dale

April 15, 1977

Robert G. Dale
President & Chief Executive Officer

Financial Report

Left to right: J. J. Wigle, J. A. Telfer, W. E. Paterson, H. W. Blakely, P. W. Strickland.

Sales and Earnings

This year, sales increased by $10 million. Increases were achieved in flour volume, both domestic and export, and in domestic grain sales. Declines were experienced in agricultural sales due to a drop in feed volume, and in imported vegetable oil sales due to lower prices.

Earnings of the Agricultural, Flour and Grocery Products Divisions, Corporate Foods Limited and Eastern Bakeries Limited rose to record levels. Earnings of the Grain and Vegetable Oil Divisions dropped sharply from the 1975 levels to largely offset these improvements. The effective tax rate was 47.1% compared with 49.4% in 1975 resulting from a 1% reduction in the standard corporate rate and an increase in non-taxable income. Equity in net earnings in joint ventures improved and represented 13.6% on our average investment.

Return on Equity

The return on average shareholders' equity was 14.0% compared with 14.4% in 1975.

Financial Position

Working capital rose to $73 million resulting in a strong 3.2:1 ratio. Turnover of both receivables and inventories was 12 times (based on monthly averages), demonstrating the high overall liquidity of the Company's current assets.

The major capital expenditure in 1976 was for the Calgary flour mill purchased from Pillsbury Canada Limited for $3.7 million. Expanded facilities for grain receiving, drying and storage at Springford, Ontario were completed at a cost of approximately $750,000. Investments in new joint ventures totalled $1.9 million. Investments will accelerate in 1977 as construction of the new vegetable oil plant by Maple Leaf Monarch Company gets underway in the Spring of 1977. Major capital and investment plans are described in more detail in Note 8 to the financial statements.

Dividends

Dividends declared in 1976 were $2.04 per share, the maximum permitted by Anti-Inflation Regulations. The indicated rate for the year ending October 13, 1977 is $2.16 per share. It continues to be our policy that shareholders should participate in the earnings growth of the Company.

Quarterly Sales and Earnings

	Sales (in millions)		Earnings		Earnings Per Share	
	1976	1975	1976	1975	1976	1975
First quarter	$118	$115	$ 2.6	$ 1.5	$1.64	$ .97
Second quarter	143	132	2.8	2.7	1.71	1.68
Third quarter	128	127	2.8	2.7	1.75	1.65
Fourth quarter	142	147	2.9	3.5	1.77	2.15
	$531	$521	$11.1	$10.4	$6.87	$6.45

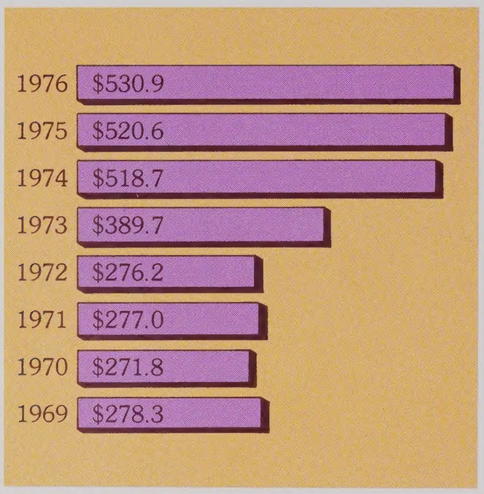
Sales are generally higher in the second and fourth quarters reflecting the agricultural orientation of certain of the Company's operations.

The 1976 first quarter earnings included gains on sale of property and non-recurring items aggregating $600,000 after tax. Fourth quarter earnings in 1975 reflect record earnings by the Grain and Vegetable Oil Divisions.

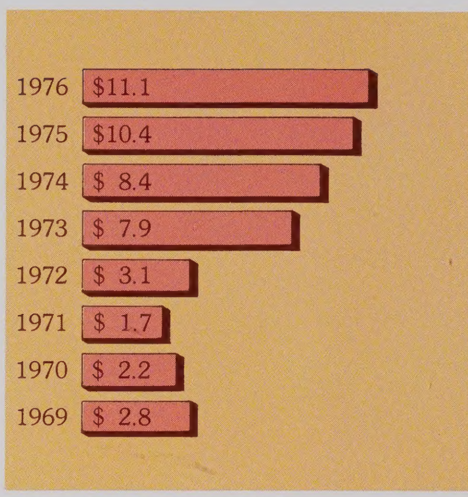
1976 at a Glance

	1976	1975
Sales	**$530,876 M**	$520,584 M
Net earnings	**11,097 M**	10,365 M
Net earnings per share	**$6.87**	$6.45
Dividends per share	**2.04**	2.00
Equity per share	**51.53**	46.77
Working capital	**$ 73,017 M**	$ 69,456 M

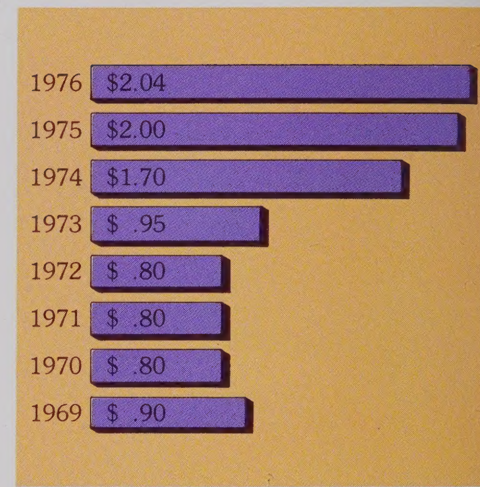
Financial Highlights



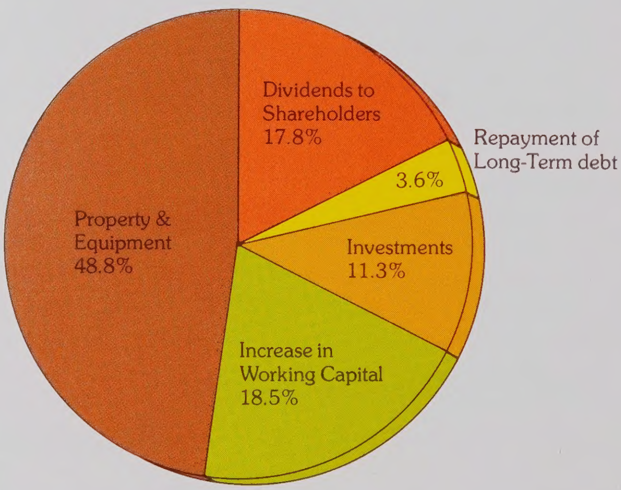
NET SALES (MILLIONS)



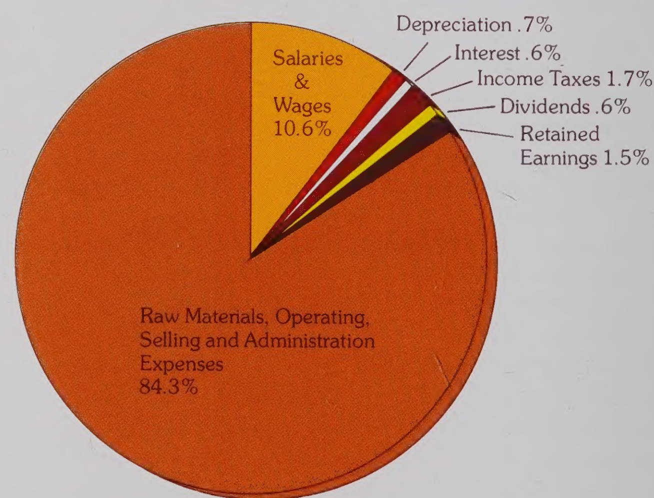
EARNINGS (MILLIONS)
before extraordinary items



DIVIDENDS (DOLLARS)



USE OF CASH FLOW



DISTRIBUTION OF REVENUES

Divisional Sales and Revenues

	1976		1975 (000's omitted)		1974	
Animal and poultry feeds, poultry, seeds	$129,659	24.4%	$133,435	25.6%	$137,063	26.4%
Grain commodity and merchandising sales	116,728	22.0%	108,669	20.9%	131,507	25.4%
Vegetable oil products and commodity sales	45,761	8.6%	53,412	10.3%	60,607	11.7%
Domestic and export bakery flour products	98,633	18.6%	83,966	16.1%	69,150	13.3%
Consumer flour and grocery products	30,773	5.8%	32,262	6.2%	27,942	5.4%
International grain sales and services	39,460	7.4%	39,399	7.6%	31,639	6.1%
Bread and baked products	69,862	13.2%	69,441	13.3%	60,758	11.7%
	$530,876	100.0%	$520,584	100.0%	$518,666	100.0%

Domestic Operating Report

Left to right: A. H. James, C. L. Turner, J. W. MacDonald, G. S. MacDonell

Flour Division

The Flour Division in 1976 sustained its steady improvement in earnings which began in 1972, recording an increase of 11% over 1975. This Division is the Company's leading earnings producer.

During the year, the Flour Division continued to take full advantage of the demand for Canadian flour in export markets. Increased volume and margins on sales to the Caribbean and sales under the Canadian Government's Overseas Programs accounted mainly for the improved earnings.

Early indications are that export sales in 1977 will continue at a high level. However, the long-term outlook remains uncertain due to increasing milling capacities of traditional export customers and the effect of subsidy programs in most other exporting countries. The Canadian Government does not support the Canadian flour milling industry with subsidy programs to the same extent as governments of other exporting countries, and has introduced legislation which, if passed, will eliminate the subsidy on export freight rates.

In April 1976, the Calgary flour mill of Pillsbury Canada Limited was acquired and, as a result, domestic sales showed an increase over 1975, reflecting the additional flour and bakery mix volume thus acquired in Western Canada. The acquisition of the Pillsbury line of bakery mixes, along with our own products, now provides the Division with a complete line of high quality mixes for the baking trade. Introduction of this complete line into Eastern Canada will take place in 1977. Plans have been formulated to upgrade this newly acquired Calgary flour mill and, to provide additional bulk flour storage and new packing facilities. This project will be completed early in 1978.

Grocery Products Division

The Grocery Products Division continued its steady improvement in earnings over the past three years and achieved a record level in 1976.

Contributing significantly to these earnings was a product development program initiated in 1974. This program resulted in the successful introduction of several new products in 1976 including the Monarch Deluxe snack cake mix and "1867" cake mixes.

During the year, the marketing operation of the Division was reorganized with the formation of a New Product Development Department, with its own Director, to ensure continued progress in all areas. To further strengthen the Grocery Products

Newly acquired Calgary Flour Mill

New offices of Vegetable Oil Division, Toronto

Division, the Research Department at West Toronto was restructured and a Director of Research & Development was appointed.

The production facilities in the Toronto area are considered to be of prime importance in the continuing development of grocery products and studies are now being carried on concerning plant improvements.

The Guelph dry pet food plant, opened in 1975, has added sufficient manufacturing capacity to support Canadian distribution of pet foods under the Master label. Dry puppy food has now been introduced and dry cat food will follow shortly.

Grain Division

The Grain Division's earnings in 1976 were substantially below the 1975 results.

This decline in earnings was mainly due to disappointingly lower trading margins in the Toronto and Montreal grain merchandising operations. Trading within the present Feed Grain Policies proved difficult and an extremely competitive market existed in Eastern Canada during the year. Prospects for improvement in the Toronto and Montreal operations are reasonably good for 1977.

Terminal elevator earnings were also lower than the exceptional 1975 year. Prospects for the future are uncertain due to the possibility of the removal of the freight subsidy on export grain. However, indications are that the handle of Ontario grown grains will increase. Accordingly, it is planned to improve the facilities at Sarnia to increase its ability and capacity to receive and ship Ontario crops.

The St. Clair Grain and Feed country

Springford opening ceremonies September, 1976

Springford, Ontario, expanded elevator facilities and farm centre

Right: Three senior members of Maple Leaf Monarch Company's Project Team

Far right: J. D. Wilcox and G. S. MacDonell reviewing Kensington plans

elevator and grain merchandising operation achieved satisfactory earnings in 1976 that were only slightly lower than 1975. An expanded elevator and farm service centre was opened at Springford, Ontario in time to handle the 1976 grain crop. New grain receiving and storage facilities at Staples, Ontario are planned for 1977. This is in line with the long-term strategy to improve the Division's earnings base by expanding and upgrading our network of country elevators and farm service centres in Southwestern Ontario.

Vegetable Oil Division

The Vegetable Oil Division earnings in 1976 were considerably below the record 1975 results.

Lower trading margins for both flax and soybeans reflected the difficult market conditions existing for vegetable oil processors throughout the year. These conditions, combined with increased costs, resulted in the lower earnings performance.

Early in 1976, Maple Leaf Monarch Company, an equal partnership with Lever Brothers Limited, was formed to build and operate a new vegetable oil complex. The land for the new facility has been acquired and is located in Windsor, Ontario, on a waterfront site with direct seaway access. The plant design has been completed by the Project Team and the major components of the processing equipment have been purchased. Construction, which is expected to commence in April 1977, is scheduled for completion late in 1978. Office space for Maple Leaf Monarch Company has been obtained in Toronto, Ontario.

This new facility, which is to replace the Queen's Quay plants, will be the largest vegetable oil mill and refinery in Canada. It is expected that this project will contribute significantly to the earnings of Maple Leaf.

Agricultural Division

The Agricultural Division achieved increased earnings in 1976, a year in which the Division was reorganized to improve its effectiveness. Emphasis was placed on increasing productivity in all operations and as a result certain marginal operations, which did not meet the investment objectives, were phased out.

Poultry operations repeated their strong performance of the previous year due to the continued demand for broiler chicken. Seed operations had an improved year due to an increased demand for forage and turf seeds.

With the opening of the new feed plant at Cavan, Ontario, the expropriated Toronto Feed Plant was shut down. By the end of the year, the Cavan plant was operating at a high level of capacity. Contruction of a new farm supply centre at Kensington, P.E.I. was started in November and production will commence in June 1977.

Recently our partner's 50% interest in Woodstock Feed Company Limited was purchased in order to consolidate our strategic position in Oxford County, Ont. Woodstock will now operate as a wholly-owned subsidiary of Maple Leaf Mills Limited. Similarly during 1976, four other joint-ventures were sold and one was discontinued.

Expropriated Queen's Quay Head Office complex, Toronto

International Operating Report

International Division management team: K. Wissmar, H. J. Rowe and W. E. Paterson

1976 was a year of continuing expansion and increased earnings for the International Division.

During the year, Barbados Mills Limited and East Caribbean Flour Mills Limited were incorporated in the Caribbean and Maple Leaf acquired a 40% equity position as well as a management and technical assistance contract in both companies.

In the Bridgetown harbour area, Barbados Mills Limited will own and operate a flour mill and terminal complex which is expected to commence production in mid 1978. In St. Vincent, East Caribbean Flour Mills Limited will own and operate a flour mill to supply flour to the seven islands of the East Caribbean Common Market commencing in July 1977.

Studies for the establishment of joint-venture feed mills in the Caribbean are underway and the feasibility of operating in other areas, such as South America, is being explored.

In Haiti, La Minoterie d'Haiti earnings reached the expected record high for its fiscal year ending May 1976 after two relatively low years. Flour consumption in Haiti has increased beyond the capacity of the mill and plans are now being made to increase its present capacity.

In Trinidad, National Flour Mills Limited earnings showed improvement as anticipated, and in Haiti, Arlequin Food Products again realized a small profit.

The Commodities Merchandising Department, formed in 1975, continued to develop its trading and shipping operations during the year.

Flour mill site, Bridgetown, harbour

Engineering discussion at site of new Haiti dock

Construction of St. Vincent dock facility

Concrete foundation for 'flat' storage building, Haiti

Bakery Operating Report

Country Bran, a new wheat and bran loaf recently introduced by Corporate Foods

The earnings of our associated bakery companies in total showed encouraging improvement in 1976.

Corporate Foods Limited in the Ontario and Quebec markets and Eastern Bakeries Limited in the Maritime provinces continued to be leaders in the industry with improved sales and earnings in spite of an indicated decline in per capita consumption of bread products in Canada.

McGavin ToastMaster Limited reported lower earnings from operations in Western Canada due mainly to unfavourable market conditions and high labour costs in British Columbia. The new bakery at Langley B.C. is now operating at peak efficiency and the Company is forecasting an overall improvement in results for 1977.

Corporate Foods continues to be highly successful in the marketing of speciality breads of high nutritional value and is the market leader in this field. McGavin ToastMaster and Eastern Bakeries are also active in the development of new branded bread and bakery products.

New Multigrain bread by McGavin Toastmaster

McGavin Toastmaster, new plant Langley, B.C.,

Eastern Bakeries' trademark, a familiar sight in Eastern Canada

Automated packaging of Butternut bread at Eastern Bakeries

Consolidated Financial Statements
December 31, 1976

Auditors' Report

To the Shareholders of
Maple Leaf Mills Limited:

We have examined the consolidated balance sheet of Maple Leaf Mills Limited as at December 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 3, 1977

Clarkson, Gordon & Co.
Chartered Accountants

Consolidated Statement of Earnings

for the year ended December 31, 1976

	1976	1975
	(000's omitted)	
Sales and revenues:		
Sales and operating revenues	$530,876	$520,584
Interest and other investment income	2,288	2,350
Other income	198	258
	533,362	523,192
Costs and expenses:		
Cost of sales and operating expenses	474,764	467,864
Selling and administrative expenses	31,881	29,341
Depreciation (note 1)	3,807	3,353
Interest on bankers' advances and notes	81	1,292
Interest on long-term debt	3,139	1,769
Minority interest	822	747
	514,494	504,366
Earnings before income taxes and equity in net earnings of joint ventures	18,868	18,826
Income taxes (note 6)	8,900	9,300
Earnings before equity in net earnings of joint ventures	9,968	9,526
Equity in net earnings of joint ventures	1,129	839
Net earnings	$ 11,097	$ 10,365
Net earnings per common share	$6.87	$6.45

Consolidated Statement of Retained Earnings

for the year ended December 31, 1976

	1976	1975
	(000's omitted)	
Retained earnings at beginning of year as restated (note 2)	$69,363	$62,201
Net earnings	11,097	10,365
	80,460	72,566
Dividends	3,284	3,203
Retained earnings at end of year	$77,176	$69,363

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1976

	1976	1975
	(000's omitted)	
Source of funds:		
Funds generated from operations	$15,971	$15,485
Investments realized	1,464	1,568
Sale of property and equipment	982	274
Common shares issued	77	129
Long-term debt issued		19,420
	18,494	36,876
Application of funds:		
Property and equipment	9,024	8,563
Dividends	3,284	3,203
Investments	2,084	573
Long-term debt retired	665	590
Other	(124)	374
	14,933	13,303
Increase in working capital	3,561	23,573
Working capital at beginning of year (note 2)	69,456	45,883
Working capital at end of year	$73,017	$69,456
Analysis of increase in working capital:		
Increase (decrease) in current assets –		
Short-term investments	$ 2,254	$ 383
Accounts receivable	197	(5,883)
Inventories	4,444	(16,820)
Other	611	7,103
	7,506	(15,217)
Less increase (decrease) in current liabilities –		
Bank indebtedness and notes payable	2,088	(39,893)
Accounts and taxes payable	2,200	1,175
Other	(343)	(72)
	3,945	(38,790)
Increase in working capital	$ 3,561	$23,573

Consolidated Balance Sheet December 31, 1976

Assets

	1976	1975
	(000's omitted)	
Current:		
Short-term deposits and investments, at cost which approximates market	$ 7,257	$ 5,003
Accounts receivable	41,774	41,577
Deposits with The Canadian Wheat Board	11,133	8,470
Bankers' advances applicable thereto (note 3)	(3,565)	(1,640)
Inventories (note 1)	48,677	44,233
Prepaid expenses	1,052	1,179
Total current assets	106,328	98,822
Investments (note 1):		
Mortgages and other investments	1,434	2,088
Joint ventures	9,385	7,181
	10,819	9,269
Property and equipment (note 4)	44,577	40,153
Goodwill and other assets (note 1)	1,157	1,292
	$162,881	$149,536

On behalf of the Board:

R. G. Dale, Director

J. H. Taylor, Director

Liabilities

	1976	1975
	(000's omitted)	
Current:		
Bank indebtedness	$ 5,334	$ 4,833
Notes payable	1,587	
Accounts payable and accrued liabilities	22,857	19,316
Income and other taxes payable	532	1,873
Dividends payable	870	802
Allowance for disturbance costs (note 9)	2,131	2,542
Total current liabilities	33,311	29,366
Long-term debt (note 5)	30,889	31,654
Accrued pension costs (note 1)	1,890	1,870
Deferred income taxes (note 6)	8,359	6,710
Minority interest in subsidiaries:		
Preference shares	1,384	1,384
Common shares	3,780	3,174
	5,164	4,558
Shareholders' equity:		
Share capital (note 7)	5,486	5,409
Contributed surplus	606	606
Retained earnings (notes 2 and 5)	77,176	69,363
	83,268	75,378
	$162,881	$149,536

Notes to Consolidated Financial Statements

December 31, 1976

1. Summary of accounting policies

(a) Principles of consolidation –

The consolidated financial statements include the accounts of all subsidiaries. The principal subsidiaries and the company's interest therein are set out below.

Canadian Bakeries Limited	99%
Corporate Foods Limited	63%
Eastern Bakeries Limited	69%

The excess of cost over book value of net assets of subsidiaries at dates of acquisition has been allocated to property and goodwill. Depreciation has been charged against earnings on amounts allocated to depreciable assets. Goodwill is amortized over its estimated life or forty years, whichever is less.

The equity method of accounting is used for investments in joint ventures. Mortgages and other investments are stated at cost less provisions for losses.

(b) Inventories –

Inventories are valued at the lower of average cost and replacement cost. Grains held for resale, and other inventories where practicable, are hedged to minimize risk due to price fluctuations. Inventories consist of the following:

	1976	1975
	(000's omitted)	
Grains held for resale	$ 8,683	$ 8,819
Finished products and materials held for production	39,994	35,414
	$48,677	$44,233

(c) Pension costs –

Pension costs for current service are charged to earnings on a current basis. Past service costs relating to changes in pension benefits and actuarial assumptions are amortized over eight years. Past service costs are funded over periods not exceeding fifteen years.

Pension expense totalled $1,800,000 for the year ($1,500,000 in 1975). Based on an independent actuarial valuation of the company's plan as at January 1, 1976, unfunded past service obligations at December 31 consisted of the following amounts:

	1976	1975
	(000's omitted)	
Accrued in current liabilities	$ 260	$ 210
Accrued in non-current liabilities	1,890	1,870
To be expensed	1,850	1,320
	$4,000	$3,400

(d) Depreciation –

Depreciation is calculated on the straight-line method. The rates used, as set out below, are estimated to be sufficient to depreciate the cost of the assets to residual value over their useful lives:

Buildings	2% - 10% per annum
Machinery and equipment	6⅔% - 30% per annum
Automotive equipment	20% - 30% per annum

2. Prior period adjustment

In May 1976 the Supreme Court of Canada allowed the company's income tax appeal in respect of its 1966 fiscal year. The net recovery of $670,000 has been treated as a prior period adjustment and the opening balances of retained earnings and working capital for the year ended December 31, 1975, previously reported as $61,531,000 and $45,213,000 respectively have been restated to show a retroactive increase of $670,000. Accounts receivable and income and other taxes payable as at December 31, 1975 have been increased by $800,000 and $130,000 respectively.

3. Bankers' advances

Bankers' advances are secured by assignments of accounts receivable and security on inventories and on certain wheat held as agent of The Canadian Wheat Board.

4. Property and equipment

	1976 (000's omitted) Cost	Accumulated depreciation	Net	1975 Net
Land and improvements	$ 3,620	$ 261	$ 3,359	$ 2,503
Buildings	37,661	16,351	21,310	20,608
Equipment	62,390	42,482	19,908	17,042
	$103,671	$59,094	$44,577	$40,153

5. Long-term debt

Long-term debt, excluding amounts due within one year included in accounts payable and accrued liabilities, consists of the following:

	1976 (000's omitted)	1975
Maple Leaf Mills Limited –		
5¾% Sinking Fund Debentures to mature December 1, 1981	$ 6,923	$ 7,497
11⅝% Sinking Fund Debentures to mature August 1, 1995	20,000	20,000
Corporate Foods Limited –		
8½% Sinking Fund Debentures, Series A due December 15, 1988	3,692	3,837
Other	274	320
	$30,889	$31,654

Estimated annual repayment requirements in the next five years are:

1977	$ 200,000
1978	$ 700,000
1979 and 1980	$1,550,000
1981	$6,600,000

The trust indentures securing the company's debentures contain covenants restricting the payment of dividends. Under the most restrictive covenant the amount of retained earnings available for payment of dividends was approximately $21,000,000 as at December 31, 1976.

6. Deferred income taxes

Income taxes charged to earnings in 1976 include deferred taxes of $1,500,000 ($1,440,000 in 1975).

7. Share capital

	1976 (000's omitted)	1975
Preference shares Class A, par value $100 each – Authorized – 75,000 shares, none issued		
Common shares without par value – Authorized – 4,000,000 shares, issued 1,615,954 of which 5,390 are held by a subsidiary	$5,486	$5,409

There are options outstanding on 19,050 common shares under the employees' stock option plan which become exercisable over a period of years to 1979 at prices ranging from $15 to $20 per share. During the year, 4,450 common shares were issued under the plan for $77,000.

8. Capital expenditure plans

The principal projects included in the company's capital expenditure plans and their estimated completion costs are as follows:

Vegetable oil plant – This is the company's share of the balance of the estimated $40,000,000 cost of a vegetable oil extraction and refining operation of Maple Leaf Monarch Company, a partnership in which the company and Lever Brothers Limited have equal interests.	$19,000,000
Calgary flour mill – The modernization of this recently acquired mill will include new milling equipment and new bulk storage and packing facilities.	4,000,000
Bakery modernization – Corporate Foods Limited plans to modernize production facilities at its two Toronto bakeries.	2,000,000
Caribbean flour mills – Flour mills are being constructed by East Caribbean Flour Mills Limited in St. Vincent and Barbados Mills Limited in Barbados. The company has a 40% equity interest in each of these companies and invested a total of approximately $1,000,000 in them during 1976.	1,000,000

9. Expropriation and relocation

In May 1973, the Government of Canada expropriated the company's Queen's Quay, Toronto property. Subsequently, the company received, without prejudice to its rights to claim additional compensation, $12.2 million for the expropriated property. In addition, a provisional allowance for disturbance costs has been received, which amount less costs incurred to date is included in current liabilities. The company also received a licence of occupation of the expropriated premises until November 30, 1977. The company has requested an extension of this licence because it does not appear possible to complete relocation by that date.

The company believes that it is entitled to further compensation in connection with the expropriation and has commenced action in the Federal Court of Canada seeking additional compensation including an amount for machinery and equipment not included in the Government's initial offer.

At the Queen's Quay location, the company has its head office and currently operates a terminal grain elevator and a vegetable oil extraction plant and refinery. The feed and pet food production facilities have been relocated. In January 1976 the company entered into an agreement providing for an equal partnership with Lever Brothers Limited to establish a vegetable oil extraction and refining operation at Windsor, Ontario to replace the expropriated Queen's Quay facilities. The company is planning to relocate its head office to rented facilities and is studying the feasibility of continuing to operate the terminal elevator under a lease arrangement.

10. Anti-Inflation Act

Under this Act the company is subject to mandatory compliance with controls on prices, profit margins, employee compensation and dividends. Management believes that the company is in compliance with the Act and its regulations. Present regulations restrict dividends to the company's shareholders during the year ending October 13, 1977 to a maximum of $2.16 per share.

11. Other statutory information

Remuneration of directors and senior officers totalled $954,000 for the year.

12. Norin loan agreement

Under a loan agreement between Norin Corp., the controlling shareholder of the company, and certain banks, limitations are imposed on capital expenditures and borrowings by Norin Corp. and its subsidiaries (including the company) and the maintenance of certain financial ratios (including ratios determined by reference to the consolidated position of the company and its subsidiaries) is required. While the company is not a party to the loan agreement, these limitations and financial tests were established having regard to the company's future financial plans and requirements. Management does not anticipate that the existence of the loan agreement will affect the company's operations.

Eight Year Financial Summary

Years ended December 31

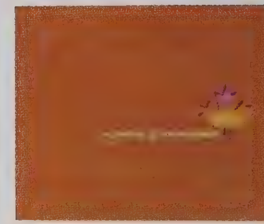
	1976	1975	1974	1973	1972	1971	1970	1969
				(000's omitted)				
Operating results								
Net sales	$530,876	$520,584	$518,666	$389,728	$276,159	$277,041	$271,848	$278,270
Earnings before extraordinary items	11,097	10,365	8,381	7,859	3,150	1,737	2,225	2,847
Net earnings	11,097	10,365	8,381	16,931	3,777	2,566	2,225	2,552
Dividends	3,284	3,203	2,769	1,598	1,375	1,379	1,378	1,534
Cash flow from operations	15,971	15,485	11,899	12,655	6,392	5,107	5,787	6,248
Return on sales	2.1%	2.0%	1.6%	2.0%	1.1%	.6%	.8%	1.0%
Financial position								
Working capital†	$ 73,017	$ 69,456	$ 45,883	$ 43,239	$ 22,959	$ 21,452	$ 21,461	$ 22,231
Total assets†	162,881	149,536	159,642	140,013	117,965	118,926	123,686	117,639
Long-term debt	30,889	31,654	12,236	12,994	13,716	13,844	14,619	15,174
Common shareholders' equity†	83,268	75,378	68,087	62,515	47,144	44,698	43,465	42,617
Return on equity†	14.0%	14.4%	12.8%	*14.5%	8.0%	5.6%	4.9%	5.7%

*Excluding gain on expropriation.

	1976	1975	1974	1973	1972	1971	1970	1969
Per common share								
Earnings before extraordinary items	$ 6.87	$ 6.45	$ 5.19	$ 4.85	$ 1.90	$$ 1.02	$ 1.33	$ 1.71
Net earnings	6.87	6.45	5.19	10.51	2.30	1.54	1.33	1.53
Dividends	2.04	2.00	1.70	.95	.80	.80	.80	.90
Shareholders' equity†	51.53	46.77	42.45	38.98	29.40	27.89	27.17	26.64

†The years from 1969 to 1975 have been restated to reflect the prior period adjustment.

Nutrition is our Business



Flour Division

Millers of flour and cereal products for bakeries, biscuit manufacturers and food processors; high protein flours for bread products; soft wheat flours for cookies, cakes, crackers and pretzels; specialty flours for manufacturers of soups, gravies and desserts; durum semolina for spaghetti, macaroni and other pasta products; rye and malt flours; manufacturers of bakery mixes and distributors of corn meal, corn flour, rolled oats and other ingredients to bakeries. Eight flour mills located across Canada capable of producing over 50,000 cwt. of flour a day serving both the domestic and export markets.

Grocery Products Division

Manufacturers of convenience mixes, cereals, flavour crystals, drink mixes, and pet foods; CREAM OF THE WEST, PURITY, MONARCH PASTRY, MONARCH ALL-PURPOSE flours, MONARCH cake, icing, pie crust, sponge puddings, muffin mixes, CHICKEN CRISP coating mix, TEA-BISK, RED RIVER cereal, JOLLY MILLER and MONARCH flavour crystals, THIRST ADE, POP drink mixes, JOLLY GOOD tea, MASTER pet foods; exclusive Canadian distributor of KITTY LITTER.

Grain Division

Merchandisers of milling wheat, feed wheat, oats, barley, corn, rye, soybeans and soybean meal; operator of two terminal elevators having a capacity of 9.4 million bushels; carries on an integrated grain merchandising and farm supply business under the name of St. Clair Grain & Feeds, with country elevators and stores at twelve Southwestern Ontario locations; agents for The Canadian Wheat Board and the Ontario Wheat Producers' Marketing Board.

Vegetable Oil Division

Processors of oilseeds and refiners of vegetable oils; soybean oil for manufacturers of margarine, shortening, salad and cooking oils; soybean and linseed meals for livestock and poultry feeds; linseed and soybean oils for manufacturers of paints, varnishes, other surface coatings, caulking compounds, printing inks and plastics; importers of palm, palm kernel, coconut, castor and tung oils.

Agricultural Division

Manufacturers of scientifically balanced MASTER brand livestock and poultry feeds, with 15 plants and markets in 10 Canadian provinces; 38 farm supply centres selling a variety of farm products; major supplier of forage and turf seed in the domestic and international markets (including FYLKING Kentucky Blue Grass and LION brand seeds), and seed corn through independent commission agents in Ontario, Quebec and Western Canada; poultry operations including hatching, growing and processing marketed mainly under the PINECREST trade name.

International Division

Management of La Minoterie d'Haiti, state-owned flour mill; management and part ownership of National Flour Mills Limited, Trinidad & Tobago, East Caribbean Flour Mills Limited, St. Vincent, which is expected to be in production by the summer of 1977, and Barbados Mills Limited, Bridgetown, Barbados, which is expected to be in production by the summer of 1978; part ownership in Arlequin Food Products, S.A., Haiti, a manufacturer of pasta products and a packager and distributor of other food products and cosmetics; Canadian supply agent for Jamaica Nutrition Holdings Limited; international grain trading and shipping.

Associated Bakeries

Eastern Bakeries Limited in the Atlantic Provinces, manufacturers of fresh bakery products, BUTTER-NUT, SUNNY BEE, FUN BUNS trade names, three bakeries and regional distribution depots.

Corporate Foods Limited in Ontario and Quebec, manufacturers of fresh and frozen bakery foods, TOASTMASTER, DEMPSTER'S, GAINSBOROUGH, ARNOLD trade names, four bakeries and regional distribution centres (also part ownership in Robin LePain Modern, Inc., Quebec, Durivage Inc., Quebec, and Purity Bakeries Limited, Barbados).

McGavin ToastMaster Limited in Western Canada, manufacturers of fresh bakery foods, McGAVIN TOASTMASTER, MOTHER HUBBARD, PINERIDGE FARM and McDONALD's trade names, 11 bakeries.

MLM

To Our Shareholders

Unaudited consolidated net earnings for the six months ended June 30th, 1976, were $5,405,000 [$3.35 per share] up from $4,246,000 [$2.65 per share] in 1975. As reported earlier, earnings include certain non-recurring items aggregating approximately $600,000 after tax. Earnings in the second quarter were only slightly better than a year ago.

Sales and operating revenues for the first six months rose to $261,532,000 an increase of 6.0%.

All operations of the Company contributed to the improved earnings performance, except the Grain Division which continues to experience narrower trading margins.

The Company has complied with and supported the Federal Government's Anti-Inflation Act which became effective on October 14th, 1975. As indicated in the notes to the interim financial statements, adequate provision has been made for any excess revenue under existing regulations. However, recent draft amendments to these regulations seem to indicate a drastic shift in the Government's policy from one of price restraint to one of profit cutback, with little apparent regard to the problems that this will create.

Our concerns about the serious inequities of the proposed amendments and the negative effect that they would have on our Company and on Canadian business in general have been brought to the personal attention of the Minister of Finance and the Chairman of the Anti-Inflation Board in the strongest possible terms. The proposed amendments would have an extremely adverse effect on the Company's operations and its permitted level of earnings, and would create a difficult operating and management environment. We remain hopeful that the Government will react positively to the many submissions they have received from business and will revise their approach accordingly.

Apart from the uncertainties created by the Government's Anti-Inflation proposals the outlook for the balance of the year continues to be favourable. It would appear that crops in Western Canada and in Ontario will be well above average and that world demand will remain strong. The Company is continuing its efforts to improve efficiency and productivity at every level of its operations and is making good progress.

August 4th, 1976

President and
Chief Executive Officer

INTERIM FINANCIAL STATEMENTS

Consolidated Statement of Earnings

	For the Three Months Ended June 30 (000's omitted)		For the Six Months Ended June 30 (000's omitted)	
	1976	1975	**1976**	1975
Sales and Revenues:				
Sales and operating revenues	**$143,394**	$131,899	**$261,532**	$246,727
Interest, investment and other income	**674**	726	**1,154**	1,409
	144,068	132,625	**262,686**	248,136
Costs and Expenses:				
Cost of sales and operating expenses	**128,957**	118,831	**234,525**	222,893
Selling and administrative expenses	**8,154**	7,180	**15,031**	13,793
Depreciation	**958**	806	**1,936**	1,673
Interest	**778**	560	**1,560**	1,637
Minority interest	**155**	185	**311**	272
	139,002	127,562	**253,363**	240,268
Earnings before income taxes and equity in net earnings of joint ventures	**5,066**	5,063	**9,323**	7,868
Income taxes	**2,400**	2,440	**4,400**	3,820
Earnings before equity in net earnings of joint ventures	**2,666**	2,623	**4,923**	4,048
Equity in net earnings of joint ventures	**89**	67	**482**	198
Net earnings (note 1)	**$ 2,755**	$ 2,690	**$ 5,405**	$ 4,246
Net earnings per common share	**$ 1.71**	$ 1.68	**$ 3.35**	$ 2.65

Consolidated Statement of Changes in Financial Position

	For the Six Months Ended June 30 (000's omitted)	
	1976	1975
Source of funds:		
Funds generated from operations	**$ 7,023**	$ 5,524
Investments realized .	**1,287**	1,168
Other	**206**	318
	8,516	7,010
Application of funds:		
Property and equipment	**6,420**	4,015
Dividends	**1,610**	1,599
Other	**955**	1,121
	8,985	6,735
(Decrease) increase in working capital	**(469)**	275
Working capital at beginning of year (note 2)	**69,456**	45,883
Working capital at end of period	**$68,987**	$46,158

Notes

1) **Anti-Inflation Legislation**

Effective October 14, 1975 the Federal Government passed an Anti-Inflation Act and subsequently issued regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation, the Company is subject to mandatory compliance with controls on prices, profit margins, employee compensation and dividends. While there is still some uncertainty as to the manner in which the anti-inflation regulations will apply to the Company's complex operations, management has made what it believes to be adequate provision in the accounts for excess revenue with respect to the existing regulations.

Recently, the Anti-Inflation Board released a series of draft amendments to the regulations, some with retroactive effect to the beginning of 1976. If implemented in their present form, these draft amendments would appear to have a substantial adverse effect on the Company's permitted level of earnings, including those in the six months ended June 30, 1976. The Board is considering submissions which it has received on these draft amendments and, has not announced what, if any, revisions will be made. Accordingly, no provision has been made in the accounts for the possible effect of the draft amendments.

2) **Prior Period Adjustment**

On May 5th the Supreme Court of Canada handed down its judgement allowing the Company's income tax appeal in respect of its 1966 fiscal year. The net recovery estimated at $670,000 has been treated as a prior period adjustment and the working capital at the beginning of each year has been restated accordingly.

On behalf of the Board:

R. G. DALE, Director
J. H. TAYLOR, Director

MAPLE LEAF MILLS LIMITED
417 Queen's Quay West, Toronto, Ontario
M5W 1C7

MAPLE LEAF MILLS LIMITED

INTERIM REPORT TO SHAREHOLDERS

for the Six Months ended June 30, 1976